

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Charter Township of Brandon</u>	County Oakland
Audit Date December 31, 2003	Opinion Date April 16, 2004	Date Accountant Report Submitted To State May 21, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

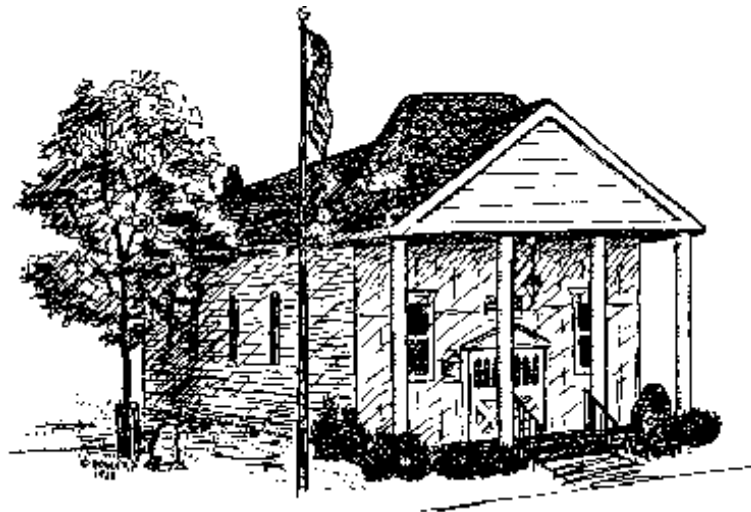
- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Hwy.	City Southfield	State MI	ZIP 48034
Accountant Signature <i>Plante & Moran, PLLC</i>			

Charter Township of Brandon Oakland County, Michigan

Financial Report with Additional Information December 31, 2003



BRANDON TOWNSHIP HALL

ORTONVILLE, MICHIGAN

Charter Township of Brandon

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Brandon
Oakland County, Michigan

We have audited the accompanying general purpose financial statements of the Charter Township of Brandon as of December 31, 2003 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Charter Township of Brandon's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the General Fixed Assets Account Group, which should be included to conform with accounting principles generally accepted in the United States of America. The amounts for either the Charter Township of Brandon or its component unit that should be recorded in the General Fixed Assets Account Group are not known.

In our opinion, except for the effect on the financial statements of the omission as described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Charter Township of Brandon as of December 31, 2003 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

April 16, 2004

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Charter Township of Brandon

Combined Balance Sheet All Fund Types, Account Group, and Component Unit December 31, 2003

	General Fund	Special Revenue Funds	Debt Service Funds	Trust and Agency Fund	General Long-term Debt Account Group	Component Unit - Fire Authority
Assets						
Cash and investments (Note 2)	\$ 1,899,403	\$ 1,159,559	\$ 133,521	\$ 4,678,899	\$ -	\$ 2,317,092
Receivables:						
Taxes	240,526	661,455	120,269	-	-	1,002,855
Special assessments	-	-	60,205	-	-	-
Due from other governmental units	198,632	-	-	2,340	-	-
Due from other funds (Note 3)	228,260	577,761	105,043	-	-	-
Due from primary government	-	-	-	-	-	920,211
Prepaid expenses and other	-	191	-	-	-	-
Amount available in Debt Service Fund	-	-	-	-	133,521	-
Amount to be provided for retirement of general long-term debt	-	-	-	-	3,483,308	33,605
Total assets	\$ 2,566,821	\$ 2,398,966	\$ 419,038	\$ 4,681,239	\$ 3,616,829	\$ 4,273,763
Liabilities and Fund Equity						
Liabilities						
Accounts payable	\$ 83,270	\$ 167,891	\$ -	\$ -	\$ -	\$ 116,784
Due to other governmental units	-	-	-	2,684,711	-	-
Due to other funds	-	-	-	911,064	-	-
Due to component unit	-	-	-	920,211	-	-
Accrued and other liabilities	681	-	-	165,253	-	134
Deferred revenue	450,624	1,267,161	285,517	-	-	1,923,065
Long-term debt (Note 4)	-	-	-	-	3,616,829	33,605
Total liabilities	534,575	1,435,052	285,517	4,681,239	3,616,829	2,073,588
Fund Equity - Fund balances - Unreserved						
Designated for subsequent year's expenditures	555,358	313,953	-	-	-	1,084,145
Designated for future Township projects	1,065,592	26,230	-	-	-	-
Designated for ambulance operations	-	-	-	-	-	180,308
Designated for public relations	-	-	-	-	-	10,495
Undesignated	411,296	623,731	133,521	-	-	925,227
Total fund equity	2,032,246	963,914	133,521	-	-	2,200,175
Total liabilities and fund equity	\$ 2,566,821	\$ 2,398,966	\$ 419,038	\$ 4,681,239	\$ 3,616,829	\$ 4,273,763

Charter Township of Brandon

Combined Statement of Revenue, Expenditures, and Changes in Fund Balances All Governmental Fund Types and Component Unit Year Ended December 31, 2003

	General Fund	Special Revenue Funds	Debt Service Funds	Component Unit - Fire Authority
Revenue				
Property taxes	\$ 452,918	\$ 1,203,526	\$ 227,920	\$ 1,971,823
Licenses and permits	137,693	3,425	-	-
Federal sources	44,706	-	-	-
State sources	1,113,448	-	-	-
Grants and donations	500	16,500	-	-
Charges for services	7,175	335,344	-	-
Fines and forfeitures	-	24,108	-	-
Interest and rent	80,590	29,326	3,960	51,500
Other	225,518	30,152	12,026	178,446
Total revenue	2,062,548	1,642,381	243,906	2,201,769
Other Financing Sources - Operating transfers in	-	30,000	-	-
Total revenue and other financing sources	2,062,548	1,672,381	243,906	2,201,769
Expenditures				
General government	1,101,193	-	-	-
Public safety	262,378	1,407,904	-	1,765,847
Public works	316,170	16,718	-	-
Health and welfare	197,134	-	-	-
Recreation and cultural	121,479	310,563	-	-
Debt service	-	-	314,877	-
Capital outlay	-	-	-	101,684
Other expenditures	-	21,332	-	-
Total expenditures	1,998,354	1,756,517	314,877	1,867,531
Other Financing Uses - Operating transfers out	30,000	-	-	-
Total expenditures and other financing uses	2,028,354	1,756,517	314,877	1,867,531
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	34,194	(84,136)	(70,971)	334,238
Fund Balances - January 1, 2003	1,993,815	1,048,050	208,729	1,865,937
Residual Equity Transfer	4,237	-	(4,237)	-
Fund Balances - December 31, 2003	<u>\$2,032,246</u>	<u>\$ 963,914</u>	<u>\$ 133,521</u>	<u>\$2,200,175</u>

Charter Township of Brandon

Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual General and Special Revenue Fund Types Year Ended December 31, 2003

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenue						
Property taxes	\$ 436,792	\$ 452,918	\$ 16,126	\$ 1,132,018	\$ 1,203,526	\$ 71,508
Licenses and permits	75,097	137,693	62,596	1,800	3,425	1,625
Federal sources	47,577	44,706	(2,871)	-	-	-
State revenue sharing	1,233,640	1,113,448	(120,192)	-	-	-
Grants and donations	-	500	500	16,500	16,500	-
Charges for services	6,425	7,175	750	304,675	335,344	30,669
Fines and forfeitures	-	-	-	12,000	24,108	12,108
Interest and rent	70,000	80,590	10,590	16,200	29,326	13,126
Other	106,709	225,518	118,809	30,500	30,152	(348)
Total revenue	1,976,240	2,062,548	86,308	1,513,693	1,642,381	128,688
Other Financing Sources -						
Operating transfers in	-	-	-	30,000	30,000	-
Total revenue and other financing sources	1,976,240	2,062,548	86,308	1,543,693	1,672,381	128,688
Expenditures						
General government	1,282,310	1,101,193	181,117	-	-	-
Public safety	263,918	262,378	1,540	1,707,133	1,407,904	299,229
Public works	472,564	316,170	156,394	25,160	16,718	8,442
Health and welfare	225,358	197,134	28,224	-	-	-
Recreation and cultural	124,775	121,479	3,296	313,405	310,563	2,842
Other expenditures	-	-	-	21,332	21,332	-
Total expenditures	2,368,925	1,998,354	370,571	2,067,030	1,756,517	310,513
Other Financing Uses - Operating						
transfers out	30,000	30,000	-	-	-	-
Total expenditures and other financing uses	2,398,925	2,028,354	370,571	2,067,030	1,756,517	310,513
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(422,685)	34,194	456,879	(523,337)	(84,136)	439,201
Fund Balances - January 1, 2003	1,993,815	1,993,815	-	1,048,050	1,048,050	-
Residual Equity Transfer	-	4,237	4,237	-	-	-
Fund Balances - December 31, 2003	\$ 1,571,130	\$ 2,032,246	\$ 461,116	\$ 524,713	\$ 963,914	\$ 439,201

Charter Township of Brandon

Notes to Financial Statements December 31, 2003

Note I - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Brandon (the "Charter Township") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Charter Township is governed by an elected seven-member Board of Trustees. As required by accounting principles generally accepted in the United States of America, these financial statements present the Charter Township of Brandon and its component unit. The component unit discussed below is included in the Charter Township's reporting entity because of the significance of the operational or financial relationship with the Charter Township.

The Brandon-Ortonville Joint Fire Authority is governed by a four-member advisory board. The Fire Authority provides fire protection for the Charter Township of Brandon and the Village of Ortonville. Two of the advisory members are selected by the Charter Township. The Charter Township controls the property tax levy that funds the Fire Authority and approves the annual budget along with the Village of Ortonville; therefore, the Fire Authority is fiscally dependent on the Charter Township. The Fire Authority is reported in a separate component unit column in the combined financial statements to emphasize that it is legally separate from the Charter Township. Complete financial statements of the Fire Authority can be obtained at their administrative offices at 53 South Street, Ortonville, Michigan.

In addition, the Brandon Township Treasurer holds the cash and investments of the Brandon Public Library. This is a separate legal entity with separately issued financial statements. The Charter Township does not control appointment to its governing board, nor is the Library fiscally dependent on the Charter Township. The cash and investments of the Library are included in the Charter Township's Trust and Agency Fund.

Fund Accounting

The accounts of the Charter Township are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

Charter Township of Brandon

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the Charter Township that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Debt Service Funds - Debt Service Funds are used to account for the annual payment of principal, interest, and expenses in connection with certain long-term debt other than debt payable from the operations of an Enterprise Fund.

Fiduciary Fund

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the Charter Township in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Basis of Accounting

All funds and the component unit utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year and are due on February 14, with the final collection date of February 28 before they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred tax revenue in each respective fund at December 31.

Note I - Summary of Significant Accounting Policies (Continued)

- b. Noncurrent receivables, such as special assessments, are recorded at full value, and deferred revenue is recorded for the portion not available for use to finance operations as of year end.
- c. Interest income on special assessments receivable is not accrued until its due date.
- d. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- e. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- f. Normally, expenditures are not divided between years by the recording of prepaid expenses. The prepaid expenses recorded in the General Fund represent advance payment for 2004 expenses.
- g. The noncurrent portion of accumulated sick and vacation pay liabilities is reflected in the General Long-term Debt Account Group.

Fixed Assets - Fixed asset purchases are recorded as expenditures in the governmental funds and no complete General Fixed Assets Account Group is maintained.

Long-term Liabilities - Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

The General Long-term Debt Account Group is not a fund and does not involve the measurement of results of operations.

Investments - Investments are recorded at fair value.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

Charter Township of Brandon

Notes to Financial Statements December 31, 2003

Note 2 - Deposits and Investments

The Charter Township's cash and investments are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 6,915,200
Bank investment pools	<u>956,182</u>
Total	<u>\$ 7,871,382</u>

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$7,300,000. Of that amount, approximately \$404,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Charter Township evaluates each financial institution with which it deposits Charter Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

The Charter Township is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool, except that the Trust and Agency Fund's investment earnings are allocated to the General Fund.

The Charter Township's investments at December 31, 2003 consisted of bank investment pools. There was \$956,182 invested in such funds at December 31, 2003. Investments under the bank investment pools are regulated by the Michigan Banking Act. Investments are normally categorized to give an indication of the level of risk assumed by the Charter Township; however, the bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book-entry form. The Charter Township believes that the investment in these funds complies with the investment authority noted above.

Charter Township of Brandon

Notes to Financial Statements December 31, 2003

Note 2 - Deposits and Investments (Continued)

Component Unit

The cash and investments of the component unit represent cash deposits in the bank and bank investment pools. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$2,316,000, of which approximately \$157,000 was covered by federal depository insurance and the remainder was uninsured. The component unit's investments at December 31, 2003 consisted of bank investment pools of \$805.

Note 3 - Interfund Receivables

The interfund receivables at December 31, 2003 consisted solely of amounts due from the Trust and Agency Fund to the General Fund, Special Revenue Funds, Debt Service Funds, and component unit.

Note 4 - Long-term Debt

Long-term debt of the Charter Township consists of the following:

	Prior Year Balance	Current Year Changes	Current Year Balance
1998 Library Building General Obligation Unlimited Tax Bonds, bearing interest from 4.2 percent to 4.7 percent through 2017	\$ 3,635,000	\$ (130,000)	\$ 3,505,000
2002 Special Assessment Bonds, bearing interest at 5.3 percent through 2005	99,000	(24,000)	75,000
Personal property taxes	33,400	-	33,400
Employee-compensated absences	7,227	(3,798)	3,429
Total	<u>\$ 3,774,627</u>	<u>\$ (157,798)</u>	<u>\$ 3,616,829</u>

Personal property taxes represent the estimated liability to paid to the utility companies that are currently contesting their assessment.

Charter Township of Brandon

Notes to Financial Statements December 31, 2003

Note 4 - Long-term Debt (Continued)

The employee-compensated absences represent the estimated liability to be paid to Charter Township employees under the Charter Township's vacation pay policy, net of the portion that is estimated will be paid currently. Under the Charter Township's policy, employees earn vacation time based on time of service with the Charter Township.

The special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specifically assessed, at least in part, for the cost of improvements. At December 31, 2003, the Charter Township has approximately \$19,500 set aside in Debt Service Funds for repayment of these bonds. In addition, there is approximately \$60,200 of special assessments in the Debt Service Funds receivable in the future; the amount of receivables delinquent at December 31, 2003 is not significant.

The annual principal and interest payments are as follows:

	Library Building Debt	Special Assessment Debt
2004	\$ 299,750	\$ 28,975
2005	308,135	27,650
2006	315,845	26,325
2007	317,983	-
2008	319,695	-
2009	320,983	-
2010	321,845	-
2011	322,283	-
2012	322,175	-
2013	321,486	-
2014	325,121	-
2015	327,925	-
2016	329,988	-
2017	331,375	-
2018	327,200	-
Total	<u>\$ 4,811,789</u>	<u>\$ 82,950</u>

Long-term debt of the Fire Authority represents \$6,905 in compensated absences and \$26,700 in personal property taxes related to the utility tax appeals.

Charter Township of Brandon

Notes to Financial Statements December 31, 2003

Note 4 - Long-term Debt (Continued)

Interest

Total interest incurred by the Charter Township for the year ended December 31, 2003 approximated \$161,000.

Note 5 - Budget Information

The annual budget is prepared by the Charter Township supervisor and adopted by the Charter Township Board; subsequent amendments are approved by the Charter Township Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (combined statement of revenue, expenditures, and changes in fund balances - budget and actual - General and Special Revenue Fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and Special Revenue Funds as adopted by the Charter Township Board is included in the additional information. There were no significant budget overruns noted.

Note 6 - Postemployment Benefits

The Charter Township provides health care benefits to all full-time employees with over 20 years of continuous service upon retirement, in accordance with Charter Township policy. Currently, two Charter Township retirees are eligible. The Charter Township includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The Charter Township purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$11,000. In addition, the Fire Authority (component unit) offers postemployment benefits; the cost amounted to approximately \$11,000 during the year for the one eligible retiree.

Charter Township of Brandon

Notes to Financial Statements December 31, 2003

Note 7 - Defined Contribution Pension Plan

The Charter Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 90 days of employment. As established by the Charter Township Board, the Charter Township contributes 12 percent of employees' gross earnings. In accordance with these requirements, the Charter Township contributed approximately \$142,000 during the current year. The Charter Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately.

Note 8 - Risk Management

The Charter Township of Brandon is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Charter Township has purchased commercial insurance for workers' compensation and employee medical claims, and participates in the state pool program of the Michigan Municipal Risk Management Authority for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program. Member premiums are used to purchase excess insurance, which is partly underwritten by the Authority.

Note 9 - Construction Code Fees

The Charter Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Charter Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and cumulative shortfall since January 1, 2000 is as follows:

Shortfall at January 1, 2003	\$ (113,999)
Building permit revenue (2003)	127,065
Related expenses - Direct costs (2003)	<u>(207,291)</u>
Shortfall at December 31, 2003	<u>\$ (194,225)</u>

Charter Township of Brandon

Notes to Financial Statements December 31, 2003

Note 10 - Upcoming Reporting Change

For the year beginning January 1, 2004, the Charter Township plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

Additional Information



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To the Board of Trustees
Charter Township of Brandon
Oakland County, Michigan

We have audited the general purpose financial statements of the Charter Township of Brandon for the year ended December 31, 2003. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Charter Township of Brandon. The combining balance sheet for the Fire Authority component unit does not include the General Fixed Assets Account Group, which should be included to conform with accounting principles generally accepted in the United States of America. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the omission of the General Fixed Assets Account Group, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

April 16, 2004



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Charter Township of Brandon

General Fund Schedule of Revenue, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended December 31, 2003

	Prior Year Actual	Current Year Budget	Current Year Actual	Variance Favorable (Unfavorable)
Revenue				
Property taxes:				
Real and personal property taxes	\$ 402,262	\$ 405,000	\$ 447,588	\$ 42,588
Trailer park fees	5,253	5,200	5,228	28
Interest, penalties, and other	5,884	26,592	102	(26,490)
Total property taxes	413,399	436,792	452,918	16,126
Licenses and permits:				
Building permits	135,352	66,500	127,815	61,315
Other	7,623	8,597	9,878	1,281
Total licenses and permits	142,975	75,097	137,693	62,596
Federal sources - Community Development Block Grant	39,999	47,577	44,706	(2,871)
State revenue sharing	1,197,471	1,233,640	1,113,448	(120,192)
Charges for services:				
Planning review, split, and appeal fees	7,140	6,200	6,471	271
Copy fees, maps, and books	901	225	704	479
Total charges for services	8,041	6,425	7,175	750
Grants and donations	5,007	-	500	500
Interest	88,129	70,000	80,590	10,590
Other revenue	105,004	106,709	225,518	118,809
Total revenue	2,000,025	1,976,240	2,062,548	86,308

Charter Township of Brandon

General Fund Schedule of Revenue, Expenditures, and Changes in Fund Balance Budget and Actual (Continued) Year Ended December 31, 2003

	Prior Year Actual	Current Year Budget	Current Year Actual	Variance Favorable (Unfavorable)
Expenditures				
General government:				
Legislative - Trustee expenses	\$ 19,883	\$ 27,733	\$ 23,597	\$ 4,136
Supervisor	107,918	129,738	129,738	-
Elections	51,352	28,683	22,540	6,143
Assessor	30,875	42,950	33,311	9,639
Clerk	146,411	163,002	154,811	8,191
Board of Review	2,181	3,500	2,608	892
Treasurer	126,524	136,169	123,951	12,218
Town Hall building and grounds	100,396	102,100	64,691	37,409
Professional services	50,148	54,430	50,715	3,715
Shared equipment	56,869	52,700	41,962	10,738
Insurance and bonds	28,537	55,000	31,852	23,148
Fringe benefits and other functions	417,607	486,305	421,417	64,888
Total general government	1,138,701	1,282,310	1,101,193	181,117
Public safety:				
Building inspection	189,149	202,143	207,292	(5,149)
Ordinance enforcement	3,651	8,500	4,602	3,898
Planning commission	44,258	44,700	44,197	503
Appeal board	6,011	8,575	6,287	2,288
Total public safety	243,069	263,918	262,378	1,540
Public works:				
BAF septic	9,684	-	6,522	(6,522)
Roads and streets	347,223	453,564	293,297	160,267
Drains	689	1,000	1,198	(198)
Street lighting	15,108	18,000	15,153	2,847
Total public works	372,704	472,564	316,170	156,394

Charter Township of Brandon

General Fund Schedule of Revenue, Expenditures, and Changes in Fund Balance Budget and Actual (Continued) Year Ended December 31, 2003

	Prior Year Actual	Current Year Budget	Current Year Actual	Variance Favorable (Unfavorable)
Expenditures (Continued)				
Health and welfare:				
Senior citizens	\$ 65,230	\$ 99,131	\$ 74,909	\$ 24,222
Community center	3,708	9,500	2,886	6,614
Senior van	59,378	69,150	68,027	1,123
Community development	16,520	47,577	51,312	(3,735)
Total health and welfare	144,836	225,358	197,134	28,224
Recreation and cultural	117,550	124,775	121,479	3,296
Total expenditures	2,016,860	2,368,925	1,998,354	370,571
Other Financing Uses - Operating transfers to other funds	30,000	30,000	30,000	-
Total expenditures and other financing uses	2,046,860	2,398,925	2,028,354	370,571
Excess of Revenue Over (Under) Expenditures and Other Financing Uses	(46,835)	(422,685)	34,194	456,879
Fund Balance - Beginning of year	2,040,650	1,993,815	1,993,815	-
Residual Equity Transfer	-	-	4,237	4,237
Fund Balance - End of year	<u>\$ 1,993,815</u>	<u>\$ 1,571,130</u>	<u>\$ 2,032,246</u>	<u>\$ 461,116</u>

Charter Township of Brandon

Special Revenue Funds Combining Balance Sheet December 31, 2003

	Police	Public Improvement Revolving	Seymour Lake Cemetery	Recreation	Total
Assets					
Cash and investments	\$ 1,005,116	\$ -	\$ 29,141	\$ 125,302	\$ 1,159,559
Receivables - Taxes	661,455	-	-	-	661,455
Due from other funds	577,761	-	-	-	577,761
Prepaid expenses and other	-	-	191	-	191
Total assets	<u>\$ 2,244,332</u>	<u>\$ -</u>	<u>\$ 29,332</u>	<u>\$ 125,302</u>	<u>\$ 2,398,966</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 160,698	\$ -	\$ -	\$ 7,193	\$ 167,891
Deferred revenue	<u>1,239,216</u>	<u>-</u>	<u>-</u>	<u>27,945</u>	<u>1,267,161</u>
Total liabilities	1,399,914	-	-	35,138	1,435,052
Fund Balances - Unreserved					
Designated	313,953	-	15,730	10,500	340,183
Undesignated	<u>530,465</u>	<u>-</u>	<u>13,602</u>	<u>79,664</u>	<u>623,731</u>
Total fund balances	<u>844,418</u>	<u>-</u>	<u>29,332</u>	<u>90,164</u>	<u>963,914</u>
Total liabilities and fund balances	<u>\$ 2,244,332</u>	<u>\$ -</u>	<u>\$ 29,332</u>	<u>\$ 125,302</u>	<u>\$ 2,398,966</u>

Charter Township of Brandon

Special Revenue Funds Statement of Revenue, Expenditures, and Changes in Fund Balance Budget and Actual - Police Fund Year Ended December 31, 2003

	Prior Year Actual	Current Year Budget	Current Year Actual	Variance Favorable (Unfavorable)
Revenue				
Property taxes	\$ 1,458,326	\$ 1,132,018	\$ 1,203,526	\$ 71,508
Liquor license fees	3,394	1,800	3,425	1,625
Court fines	22,469	12,000	24,108	12,108
Interest	36,951	15,000	28,008	13,008
Other	26,621	30,000	27,352	(2,648)
Total revenue	1,547,761	1,190,818	1,286,419	95,601
Expenditures - Public safety				
Contracted wages	1,336,282	1,650,852	1,395,742	255,110
Other current services	10,865	56,281	12,162	44,119
Total expenditures	1,347,147	1,707,133	1,407,904	299,229
Excess of Revenue Over (Under) Expenditures	200,614	(516,315)	(121,485)	394,830
Fund Balance - Beginning of year	765,289	965,903	965,903	-
Fund Balance - End of year	<u>\$ 965,903</u>	<u>\$ 449,588</u>	<u>\$ 844,418</u>	<u>\$ 394,830</u>

Charter Township of Brandon

Special Revenue Funds

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual - Public Improvement Revolving Fund

Year Ended December 31, 2003

	Prior Year Actual	Current Year Budget	Current Year Actual	Variance Favorable (Unfavorable)
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures - Other expenditures	<u>1,139</u>	<u>21,332</u>	<u>21,332</u>	<u>-</u>
Excess of Expenditures Over Revenue	(1,139)	(21,332)	(21,332)	-
Fund Balance - Beginning of year	<u>22,471</u>	<u>21,332</u>	<u>21,332</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 21,332</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Charter Township of Brandon

Special Revenue Funds

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual - Seymour Lake Cemetery Fund

Year Ended December 31, 2003

	Prior Year Actual	Current Year Budget	Current Year Actual	Variance Favorable (Unfavorable)
Revenue - Sale of lots	\$ 1,676	\$ 500	\$ 2,800	\$ 2,300
Other Financing Sources - Operating transfers in from General Fund	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total revenue and other financing sources	31,676	30,500	32,800	2,300
Expenditures - Public works				
Wages	10,697	8,410	8,410	-
Other current services	<u>32,264</u>	<u>16,750</u>	<u>8,308</u>	<u>8,442</u>
Total expenditures	<u>42,961</u>	<u>25,160</u>	<u>16,718</u>	<u>8,442</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures	(11,285)	5,340	16,082	10,742
Fund Balance - Beginning of year	<u>24,535</u>	<u>13,250</u>	<u>13,250</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 13,250</u></u>	<u><u>\$ 18,590</u></u>	<u><u>\$ 29,332</u></u>	<u><u>\$ 10,742</u></u>

Charter Township of Brandon

Special Revenue Funds

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual - Recreation Fund

Year Ended December 31, 2003

	Prior Year Actual	Current Year Budget	Current Year Actual	Variance Favorable (Unfavorable)
Revenue				
Grants and donations	\$ 26,500	\$ 16,500	\$ 16,500	\$ -
Recreation program fees and other user charges	313,991	284,675	316,370	31,695
Discount ticket sales	19,891	20,000	18,974	(1,026)
Interest	1,469	1,200	1,318	118
Miscellaneous	1,730	-	-	-
Total revenue	363,581	322,375	353,162	30,787
Expenditures				
Salaries and fringes	2,720	2,000	3,723	(1,723)
Recreation programs	286,584	272,725	262,895	9,830
Discount tickets	20,239	19,800	18,656	1,144
Other	14,345	13,830	21,948	(8,118)
Promotions	5,598	5,050	3,341	1,709
Total expenditures	329,486	313,405	310,563	2,842
Excess of Revenue Over Expenditures	34,095	8,970	42,599	33,629
Fund Balance - Beginning of year	13,470	47,565	47,565	-
Fund Balance - End of year	<u>\$ 47,565</u>	<u>\$ 56,535</u>	<u>\$ 90,164</u>	<u>\$ 33,629</u>

Charter Township of Brandon

Debt Service Funds Combining Balance Sheet December 31, 2003

	Library Debt	Huff Lake/ Lake Louise	Walnut Hills	Total
Assets				
Cash and investments	\$ 113,986	\$ -	\$ 19,535	\$ 133,521
Receivables:				
Taxes	120,269	-	-	120,269
Special assessments	-	-	60,205	60,205
Due from other funds	105,043	-	-	105,043
Total assets	\$ 339,298	\$ -	\$ 79,740	\$ 419,038
Liabilities and Fund Balances				
Liabilities - Deferred revenue	\$ 225,312	\$ -	\$ 60,205	\$ 285,517
Fund Balances - Unreserved - Undesignated	113,986	-	19,535	133,521
Total liabilities and fund balances	\$ 339,298	\$ -	\$ 79,740	\$ 419,038

Charter Township of Brandon

Debt Service Funds Statement of Revenue, Expenditures, and Changes in Fund Balance - Library Debt Year Ended December 31, 2003

	Prior Year Actual	Current Year Actual
Revenue		
Property taxes	\$ 291,746	\$ 227,920
Interest	<u>4,955</u>	<u>3,427</u>
Total revenue	296,701	231,347
Expenditures - Debt service - Principal and interest	<u>270,670</u>	<u>285,630</u>
Excess of Revenue Over (Under) Expenditures	26,031	(54,283)
Fund Balance - Beginning of year	<u>142,238</u>	<u>168,269</u>
Fund Balance - End of year	<u><u>\$ 168,269</u></u>	<u><u>\$ 113,986</u></u>

Charter Township of Brandon

Debt Service Funds **Statement of Revenue, Expenditures, and Changes in Fund Balance** **Huff Lake/Lake Louise** **Year Ended December 31, 2003**

	Prior Year Actual	Current Year Actual
Revenue		
Special assessments	\$ 1,763	\$ -
Interest	<u>101</u>	<u>18</u>
Total revenue	1,864	18
Expenditures - Debt service - Principal and interest	<u>17,365</u>	<u>-</u>
Excess of Revenue Over (Under) Expenditures	(15,501)	18
Fund Balance - Beginning of year	19,720	4,219
Residual Equity Transfer	<u>-</u>	<u>(4,237)</u>
Fund Balance - End of year	<u>\$ 4,219</u>	<u>\$ -</u>

Charter Township of Brandon

Debt Service Funds **Statement of Revenue, Expenditures, and Changes in Fund Balance** **Walnut Hills** **Year Ended December 31, 2003**

	Prior Year Actual	Current Year Actual
Revenue		
Special assessments	\$ 54,255	\$ 12,026
Interest	<u>1,332</u>	<u>515</u>
Total revenue	55,587	12,541
Other Financing Sources - Proceeds from long-term debt	<u>99,000</u>	<u>-</u>
Total revenue and other financing sources	154,587	12,541
Expenditures		
Construction costs	114,498	-
Debt service - Interest	<u>3,848</u>	<u>29,247</u>
Total expenditures	<u>118,346</u>	<u>29,247</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures	36,241	(16,706)
Fund Balance - Beginning of year	<u>-</u>	<u>36,241</u>
Fund Balance - End of year	<u>\$ 36,241</u>	<u>\$ 19,535</u>

Charter Township of Brandon

Trust and Agency Funds Combining Balance Sheet December 31, 2003

	Library	Cable Commission	Tax Collection	Payroll	Escrow	Total
Assets						
Cash and cash equivalents	\$ 323,372	\$ 109,944	\$ 4,080,924	\$ 1,589	\$ 163,070	\$ 4,678,899
Due from other governmental units	<u>2,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,340</u>
Total assets	<u>\$ 325,712</u>	<u>\$ 109,944</u>	<u>\$ 4,080,924</u>	<u>\$ 1,589</u>	<u>\$ 163,070</u>	<u>\$ 4,681,239</u>
Liabilities						
Due to other governmental units	\$ 325,118	\$ 109,944	\$ 2,249,649	\$ -	\$ -	\$ 2,684,711
Due to other funds	-	-	911,064	-	-	911,064
Due to component unit	-	-	920,211	-	-	920,211
Accrued liabilities	<u>594</u>	<u>-</u>	<u>-</u>	<u>1,589</u>	<u>163,070</u>	<u>165,253</u>
Total liabilities	<u>\$ 325,712</u>	<u>\$ 109,944</u>	<u>\$ 4,080,924</u>	<u>\$ 1,589</u>	<u>\$ 163,070</u>	<u>\$ 4,681,239</u>

Charter Township of Brandon

Component Unit Brandon-Ortonville Joint Fire Authority Combining Balance Sheet December 31, 2003

	Fire Operating Fund	Fire Equipment and Housing Fund	General Long-term Debt Account Group	Total
Assets				
Cash and cash equivalents	\$ 1,201,554	\$ 1,115,538	\$ -	\$ 2,317,092
Receivables - Taxes	753,380	249,475	-	1,002,855
Due from primary government	691,296	228,915	-	920,211
Amount to be provided for retirement of general long-term debt	-	-	33,605	33,605
Total assets	<u>\$ 2,646,230</u>	<u>\$ 1,593,928</u>	<u>\$ 33,605</u>	<u>\$ 4,273,763</u>
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ 25,979	\$ 90,805	\$ -	\$ 116,784
Deferred revenue	1,444,675	478,390	-	1,923,065
Accrued liabilities	134	-	-	134
Long-term debt	-	-	33,605	33,605
Total liabilities	1,470,788	569,195	33,605	2,073,588
Fund Equity - Unreserved				
Designated for subsequent year's expenditures	77,324	1,006,821	-	1,084,145
Designated for ambulance operations	180,308	-	-	180,308
Designated for public relations	-	10,495	-	10,495
Undesignated	917,810	7,417	-	925,227
Total fund equity	<u>1,175,442</u>	<u>1,024,733</u>	<u>-</u>	<u>2,200,175</u>
Total liabilities and fund equity	<u>\$ 2,646,230</u>	<u>\$ 1,593,928</u>	<u>\$ 33,605</u>	<u>\$ 4,273,763</u>

Charter Township of Brandon

Component Unit **Brandon-Ortonville Joint Fire Authority** **Statement of Revenue, Expenditures, and Changes in Fund Balance** **Budget and Actual - Fire Operating Fund** **Year Ended December 31, 2003**

	Prior Year Actual	Current Year Budget	Current Year Actual	Variance Favorable (Unfavorable)
Revenue				
Property taxes	\$ 1,259,249	\$ 1,408,669	\$ 1,465,423	\$ 56,754
Interest	36,979	33,000	30,568	(2,432)
Charges and fees	146,441	135,000	155,766	20,766
Other	18,203	6,500	11,980	5,480
Total revenue	1,460,872	1,583,169	1,663,737	80,568
Expenditures				
Salaries and wages	827,120	924,814	965,584	(40,770)
Fringe benefits	295,092	347,100	285,972	61,128
Insurance - Building and equipment	32,591	40,500	32,009	8,491
Utilities	19,343	26,500	19,392	7,108
Repair and maintenance	37,997	44,550	34,572	9,978
Training	16,081	16,500	15,413	1,087
MTT refunds	-	800	-	800
Capital outlay	65,653	25,000	27,821	(2,821)
Other expenditures	106,977	469,625	189,178	280,447
Total expenditures	1,400,854	1,895,389	1,569,941	325,448
Excess of Revenue Over (Under)				
Expenditures	60,018	(312,220)	93,796	406,016
Fund Balance - Beginning of year	1,021,628	1,081,646	1,081,646	-
Fund Balance - End of year	<u>\$ 1,081,646</u>	<u>\$ 769,426</u>	<u>\$ 1,175,442</u>	<u>\$ 406,016</u>

Charter Township of Brandon

Component Unit Brandon-Ortonville Joint Fire Authority Statement of Revenue, Expenditures, and Changes in Fund Balance Budget and Actual - Fire Equipment and Housing Fund Year Ended December 31, 2003

	Prior Year Actual	Current Year Budget	Current Year Actual	Variance Favorable (Unfavorable)
Revenue				
Property taxes	\$ 416,988	\$ 465,146	\$ 506,400	\$ 41,254
Interest income	16,487	9,100	20,932	11,832
Other	31,181	358,900	10,700	(348,200)
Total revenue	464,656	833,146	538,032	(295,114)
Expenditures				
Repair and replacement	31,319	1,018,500	213,796	804,704
Capital outlay	60,712	297,000	73,863	223,137
Other expenditures	9,202	8,150	9,931	(1,781)
Total expenditures	101,233	1,323,650	297,590	1,026,060
Excess of Revenue Over (Under) Expenditures	363,423	(490,504)	240,442	730,946
Fund Balance - Beginning of year	420,868	784,291	784,291	-
Fund Balance - End of year	<u>\$ 784,291</u>	<u>\$ 293,787</u>	<u>\$ 1,024,733</u>	<u>\$ 730,946</u>

April 16, 2004

Board of Trustees
Charter Township of Brandon
395 Mill Street
Ortonville, MI 48462

Dear Board Members:

We recently completed the audit of the financial statements of the Charter Township of Brandon for the year ended December 31, 2003. In addition to the audit report, we offer the following comments for your consideration:

STATE FUNDING OVERVIEW

The Township has and will continue to feel the effects of the slow down in the State's economy. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the State's last couple of years were less than originally projected.

With the major changes in revenue sharing occurring, we realize that the Township is regularly seeking information on projected future revenue sharing payments. To assist the Township in projecting state shared revenue payments, the Michigan Department of Treasury website is located at <http://www.treas.state.mi.us/apps/findrevshareinfo.asp>.

OVERVIEW OF THE TOWNSHIP'S FINANCIAL CONDITION

Again this year, the financial health of the Township's General Fund appears to be good. This is commendable, given the reductions in state shared revenue and the increases in health care costs and general liability insurance. An adequate level of fund balance allows the Township to weather temporary revenue reductions or unforeseen costs without disrupting the level of services provided to citizens. As you are aware, the year 2004 may see further reductions in state shared revenue, as well as continued health care cost increases. A long-range view of revenues and expenditures should be considered and frequently monitored to ensure that current decisions have the intended long-term impact. We are available to assist in this review as needed.

INTERNAL CONTROL CONSIDERATIONS

During the audit, we noted the following regarding the internal control structure:

Cash and investments:

- It is our understanding that the Township policy provides that only the Township Treasurer may set up new cash accounts, however, either the Treasurer or the Deputy Treasurer may set up investment accounts. We suggest that the policy be made consistent for each of these types of assets.

Accounts payable/Disbursements:

- A formal policy should be used for the approval of new vendors within the accounts payable system. Currently, new vendors are created within the system when an approved invoice is received and the computer system does not recognize the vendor. In addition, the vendor listing should be reviewed on a periodic basis in order to ensure all of the vendors are proper.

Payroll:

- The Township uses numerous pay periods for different groups of employees. The Township may want to simplify the process by using the same methods for all in order to reduce payroll processing and preparation costs.
- We noted that the payroll calculations/journal entry is not reviewed prior to transmitting the data to Paychex. In addition, all payroll journals should be organized and filed in order to provide support for the entry.
- During our testing, it was noted that the wage chart for pay call firemen was not maintained by the payroll department in order to verify the wages when processing payroll and recalculating the wages. Since year end fieldwork, this suggestion has been implemented.

Other Miscellaneous Items:

- Manual journal entries are prepared and posted by the bookkeeper. Even though they are initiated by either the department heads or bookkeeper, they are not reviewed prior to being posted into the General Ledger system. We recommend that journal entry forms include an "approved by" line that would signify that the entries were reviewed, as well as a description of the entry.
- We noted that the budget for the Fire Authority's Equipment and Housing Fund was set based on major projects, instead of the fiscal year revenues and expenditures. We recognize that it is an important perspective to plan major projects on a total basis, however, it is important to add to that analysis an estimate of how the project will fit into the Authority's fiscal year. This will allow the project to be integrated into the accounting system and monitored during each year in addition to the total project lifespan. This will help ensure that the Authority is in compliance with the budget act, as well as providing the necessary info to allow the management control over the project in its entirety.

COMPUTER SECURITY ISSUES

As mentioned in the prior year, organizations have become more reliant on computer technology to deliver core business processes, and therefore it is increasingly apparent that attention needs to be given to the security of our computer systems. While the private sector has been forced to devote significant resources to this area for a couple of years now, organizations in the public sector are beginning to see the need for similar attention. Items for consideration include the ability of employees to access or manipulate data or programs inappropriately, firewalls for Internet access points, and physical security/disaster recovery plans.

An organization's data assets are such that their loss or impaired usage can have devastating consequences. As a result, we strongly recommend that you assess your information systems and network environments and develop strategies to ensure that risks associated with down time, hacker intrusions and virus attacks are minimized in a secured environment. We believe it is prudent to assess your risk and implement security improvements to avoid the negative implications.

MUNICIPAL FINANCE ACT – REMINDER

The Municipal Finance Act was amended during 2001. Beginning after March 2002, communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for the debt issuances. The current filing is due within six months of the Township's year end (June 30, 2004) and is good through the extended due date of the financial statement filings (June 30, 2005).

GASB 34 - NEW REPORTING MODEL – REMINDER

As we have discussed with you over the last several years, the Governmental Accounting Standards Board issued a new pronouncement that will change the presentation of governmental financial statements. The expected benefits of the new model include improved comparability of financial statements between communities, and a better matching of the current year's revenue sources to the full cost of services provided during that year. Some of the changes in the model include the following:

- A "Management's Discussion and Analysis" section
- Entity-wide financial statements (balance sheet and operating statement) prepared on a full accrual basis
- Capital assets and their related depreciation will be reported

As the Township nears the required implementation date of this new pronouncement, fiscal year beginning January 1, 2004, several changes to the Township's financial systems may be required. We understand that the Township has initiated procedures to obtain fixed asset information, including related depreciation. We encourage the Township to continue this task and, in addition, identify what other potential information needs to be gathered or processes that need to change in order to implement this new pronouncement.

We would like to thank you and your staff again this year for their cooperation and assistance they provided during the audit. If you have any questions, or would like to discuss these items further, please feel free to contact us at your convenience.

Yours truly,

PLANTE & MORAN, PLLC



Leslie J. Pulver